

Dated: 12/4/06

A) Electricity

1. Energy Planning Advisory Board and State Energy Policy Commission

The OCA has a seat on these two committees which were established by SB 443 (2004) and HB 1146 (2006), respectively.

- Energy Planning Advisory Board (EPAB) held a stakeholder forum on June 23rd on NH energy issues and concerns, and presented a report compiling the input to the Energy Policy Commission in late September. Since then, the Board and the Commission have been meeting jointly to address the Commission's legislative charge.
- The Energy Policy Commission (EPC) recently created three subcommittees: siting of commercial wind facilities, renewable portfolio standard (RPS), and an interim report drafting committee. Meredith will serve on the latter two. The Commission decided to focus on these three areas before starting work on the larger and more complicated restructuring-related issues in 2007. The EPC's Interim Report is due on December 1, 2006.

2. ISO/Regional Electric Issues

The revised LICAP Settlement for a New England Forward Capacity Market (FCM) was approved by FERC with a transition period implementation scheduled for December 1, 2006. The parties, including the OCA through our consultant, continue to address implementation issues. One significant issue is making sure demand-side resources are treated comparably to supply-side resources. In October, a minority of NEPOOL stakeholders, including the NH and CT OCC, voted against the ISO's budget request due

to the salary levels of the ISO management. **The OCA recently joined other New England Advocates and Attorneys General (CT, MA, and ME) in filing a pleading with FERC to protest ISO management compensation levels and depreciation policies, and requesting that FERC investigate both issues prior to approving ISO-NE's budget.**

3. DE 04-072 PSNH 2004 Least Cost Integrated Resource Plan (LCIRP)

This proceeding concerned PSNH's LCIRP, which PSNH originally filed in April 2004 and, following the Commission's denial of a request for a waiver of certain requirements, revised in June 2005. In a partial settlement, the OCA, PSNH and Staff agreed to certain filing requirements for the 2007 LCIRP and submitted to the Commission for determination five disputed issues dealing with the level and scope of supply and demand side assessments and if least cost planning requirements should be consistently applied to all electric utilities. **In its Order dated November 8, 2006, the Commission found that 2005 LCIRP is adequate, approved the partial stipulation, and set forth additional requirements for the next LCIRP such as the inclusion of generic cost information regarding the construction or acquisition of new generation capacity and a systematic evaluation of reasonably available Demand-Side Management (DSM) programs.**

4. DE 05-111 Power Quality Improvement Team Pilot Program

The Commission opened this docket in June 2005 to address an issue that arose in a previous docket concerning the quality of service provided by PSNH to customers in Bedford, specifically, the lack of a systematic process to coordinate the actions of PSNH

personnel and electricians employed by customers to determine whether a service-related complaint from a customer arises out of conditions on the PSNH distribution system and/or within the customer's premises. The OCA joined with Staff and most other parties to develop and file with the Commission an organizational document, entitled "Pilot Project Understandings", which the Commission approved. Presently, the parties await the Commission's selection of a consultant to oversee voltage complaint investigations on its behalf.

5. DE 05-178 Unil Energy Systems, Inc., Petition for Permanent Rate Increase and Temporary Rates

On November 4, 2005, UES filed for a distribution rate increase with an average residential rate increase of 5.1% and an overall increase of 2.9%. The OCA joined the Staff and UES in a Settlement Agreement, providing for a 2.0% permanent rate increase for residential customers; a modified, discounted, initial-usage block; two specifically-defined step adjustments, which must be implemented on an equal percentage basis across all customers; and temporary rate reconciliation and recovery of prudent rate case expenses across all customers equally per kWh. The Commission approved the settlement agreement in early October 2006. **In late October, Staff recommended that the Commission approve UES' corrected calculations for the November 1 step adjustment, with one modification, and allow UES to collect the difference between temporary and permanent rates and some of its rate case expenses beginning November 1. On November 22, the Commission adopted Staff's recommendation. For the remaining rate case expenses (which totaled \$520,425), Staff requested additional time to investigate. In previously-filed testimony on behalf of the OCA,**

Kenneth Traum objected to the magnitude of the projected rate case expenses and suggested that ratepayers should not bear all the responsibility for paying them.

6. DE 06-028 PSNH Distribution Rate Increase

In May 2006, PSNH filed its permanent delivery service rate to increase its annual revenue requirement by \$49 million or about 4%. The Commission approved an agreement of the parties to a \$15 million increase in revenue from temporary rates, effective July 1, 2006. **The OCA has retained the services of Stephen Hill of Hill Associates, an expert witness on cost of capital to file testimony. In addition, Kenneth Traum will file testimony on behalf of the OCA on a range of issues.**

7. DE 06-061 Energy Policy Act of 2005

On April 24, 2006, the Commission opened a docket to consider five new federal energy standards created under the Energy Policy Act of 2005 (EPAct). EPAct requires that each state PUC make specific determinations as to whether implementation of the standards is appropriate, or if the state has already made progress in the area covered by the standard through prior state action. The Commission has to making its findings on the first two standards in 2007, and on the last three in 2008. The standards are:

1. Interconnection

This refers to how to a customer who has on-site generation connects to the local distribution company, which must be done in accordance with the interconnection standards developed by the Institute of Electrical and Electronics Engineers (IEEE). Some renewable developers and distributed generators argue that interconnection standards and processes are a barrier to entering the market.

2. Time-Based Metering Communications (or "Smart Metering")

The Commission must consider whether it is appropriate for electric utilities to provide and install time-based meters and communications devices for customers to enable them to participate in time-based pricing rate schedules and other demand response programs.

This type of technology current exists for large customers and has been utilized during summer peak periods, and could be used more widely to reduce peak demand if the meters are cost-effective.

3. Net Metering

“Net metering” provides a way for small customers who self-generate electricity from renewable resources to send excess power back to the electric grid. A customer who participates in net metering gets credited on their electric bill for the electricity they send back to the grid. New Hampshire has had net metering rules in place since 1990. The Commission will review how the rules have worked and whether changes are needed.

4. Fuel Diversity

Fuel diversity refers to the mix of fuels used to generate electricity. New Hampshire currently has a quite diverse mix, including coal, natural gas, oil, nuclear, hydroelectric, biomass and municipal solid waste. Many believe that fuel diversity is important to reduce price volatility, especially at a time when so much of our new generating capacity uses natural gas.

5. Fossil Fuel Generation Efficiency

This topic will likely include consideration of technologies to increase the efficiency of combusting traditional fossil fuels, i.e. coal gasification, and may also include review technologies that result in more efficient operation of older plants.

The Commission is focusing on the first two standards this fall, and several parties have filed initial comments. **The OCA filed comments on November 3rd and awaits**

Commission action on how it will proceed on the first three issues. The last three issues will be addressed in 2007.

8. DE 06-079 Electric Assistance Program (EAP)

In June 2006 the Commission opened this proceeding to consider possible changes to the EAP for the 2006-2007 EAP program year. The Commission approved the design supported by the OCA, which provides benefits to up to 30,000 customers, who fall at or below 185% of the Federal Poverty Guidelines, with a discount based upon the goal of bringing the average bill down to approximately 4 percent to 4.5 percent of household income; and which does not require an increase in the low-income portion of the SBC.

The Commission also directed the utilities to explore more billing and design options for the next program year and urged the parties to continue to develop data concerning customer usage at various household sizes and FPG income levels and to explore the feasibility of offering a discount to an initial usage block. **On November 8, 2006, the Commission ruled on the 2006-07 administrative cost budgets. The Commission approved the budgets except for a portion of the CAA budget related to software development in response to SB 228. The Commission will open a separate proceeding to consider whether to allow recovery of these funds and to examine the ways to streamline the administrative processes of the EAP.**

9. DE 06-125 PSNH Energy Service (ES) Rate

On September 8, 2006, PSNH filed testimony containing an estimate and supporting documentation for an Energy Service (ES) (f/k/a Default Service) Rate applicable to PSNH customers who take service on or after January 1, 2007. PSNH estimates an increase of 5.7% to overall rates. The OCA took the position that PSNH should incorporate an anti-gaming mechanism in order to prevent competitive suppliers from shifting costs from their customers to other PSNH customers, particularly those without competitive supply options. **The hearing took place on November 21, 2006, and we await the Commission's decision.**

10. DE 06-134 PSNH Stranded Cost Recovery Charge

On September 25, 2006, PSNH filed a Petition for Adjustment of Stranded Cost Recovery Charge (SCRC). A hearing was held on November 21st, at which time PSNH presented an updated filing proposing a decrease of approximately 2% in rates due to a

reduction in the SCRC. At this point, Stranded Costs include Part 1 (Rate Recovery Bonds), and Part 2 costs (IPP buydowns/buyouts and over-market prices) remain. The current SCRC is 1.55 cents/kwh, and the new proposed charge will be 1.35 cents/kwh beginning January 1, 2007, if approved. (For some context, the SCRC was 3.4 cents/kwh until June of this year). **We are now awaiting the Commission's decision.**

11. DE 06-135 2007 CORE Energy Efficiency Programs

In September, PSNH, Unitil, New Hampshire Electric Cooperative, and National Grid (Granite State Electric Co.) filed a joint proposal for updated "Core" rate payer-funded energy efficiency programs for 2007. **During November, discovery has occurred through written data requests and a technical session. We will attend a Settlement Conference on December 6th, and the hearing will be on December 20th.**

B) Telecommunications

1. DT 04-019 Verizon Quality of Service Performance

On March 19, 2004, the Commission opened this docket to investigate Verizon's quality of service. The Staff began a series of rolling data requests and also engaged the services of Roland Curry from Curry Associates to review Verizon's quality of service reports. In February 2005, Mr. Curry submitted a report recommending resumption of a formal proceeding with enforcement of appropriate remedies. Staff through a memorandum dated October 20, 2005, noted that two further reviews of Verizon's service reports were conducted reflecting that service had improved slightly during the winter of 2005 but had developed a notable downward trend during the summer. In a memorandum dated November 22, 2005, the Staff indicated that calls received during 2005 involving issues

related to Verizon's service quality and repair efforts had increased 96% over 2004 even after excluding two specific events that occurred in July and August. As a result, the Commission held a Status Conference in February 2006. In April 2006, the Commission conducted a second status conference for the specific purpose of allowing Verizon to explain in significant detail the mechanics and validity of its in-house customer service survey. In June 2006, the Commission announced via a Secretarial Letter that it would engage the services of a consultant to conduct an independent survey of Verizon's customers. Verizon filed a letter with the Commission, on June 30, 2006, requesting a hearing to argue its position that an independent survey is not necessary or permitted by law. Verizon also argued that the Commission lacked authority to assess Verizon for the costs of such a survey. On July 20, 2006, the OCA filed a motion to consolidate this docket with the Verizon AFOR docket, DT 06-072, which Verizon objected to on July 24. On September 5, 2006, the Commission denied without prejudice Verizon's request for a hearing about the proposed customer service survey. Specifically, the Commission stated that Verizon's concerns are "premature" in that the Commission "has decided only to issue a Request for Proposal (RFP) for consultancy services. A review of responses to such an RFP will allow the Commission to determine the feasibility of conducting a statewide customer survey." On October 3, the Commission issued an RFP entitled "Proposal to Survey Residential and Business Telephone Customers in New Hampshire regarding Service Quality and Competition." Proposals were due at the Commission by October 25, 2006. The Parties now await a determination by the Commission on next steps.

2. DM 05-172 Generic Investigation into Utility Poles

The Commission opened this docket in November 2005 as a result of a staff memo outlining problems with timely installation and repair of utility poles. Due to the size and complexity of this case the docket has been broken into five distinct categories: 1) Emergency Management; 2) Joint Ownership Responsibilities for operations and Maintenance; 3) Utility Relationships with Government Entities and their Subcontractors; 4) Retail Customer Relationships; and 5) Competitive Issues. **A technical session on topic 3 is scheduled for November 29.**

3. DT 06-020 Verizon's Supplemental Wire Center Request Qualifying for Relief from Unbundled Services (Concord, Dover & Salem)

In January 2006, Verizon filed a request to change the impairment status of its Concord, Dover, and Salem wire centers pursuant to Section 251 of the Telecommunications Act of 1996 and subsequent amendments and the FCC's Triennial Review Remand Order. Steve Merrill assisted Staff in verifying data and preparing a factual affidavit regarding business line counts, which was filed with the Commission. On September 13, 2006, BayRing Communications and SegTel, Inc. filed a request for the Commission to determine the appropriate transition period for de-listed unbundled network elements affected by the wire center classifications resulting from this docket. The Commission requested that the parties submit initial comments on October 11, 2006, and reply comments by no later than October 25, 2006.

4. DT 06-072 Verizon Alternative Form of Regulation (AFOR)

On May 5, 2006, Verizon filed with the Commission a Stipulated Agreement between Verizon and the Staff that if approved would grant Verizon price deregulation for its

retail services. On September 6, 2006, the Commission stayed the procedural schedule in order to consider a letter filed by Verizon seeking to withdraw the Stipulation and letters filed by the OCA and Intervenor Schmitt and Smith, urging the Commission to continue with the docket despite Verizon's withdrawal. There has been no further activity on this Docket since the Commission stayed the procedural schedule on September 6th.

C) Water

1. DW 04-020 Fryeburg Water Company, Investigation of Quality of Service

Following a hearing on July 6, 2006, the Commission ordered the Fryeburg Water Company to replace all but 500 feet of the 1883 main. On October 10, the new transmission line began serving New Hampshire customers.

2. DW 04-048 Pennichuck Water Works, Nashua's Petition for Valuation pursuant to RSA 38:9 (Eminent Domain)

In March 2004, Nashua petitioned the Commission for permission to take by eminent domain three water utilities: Pennichuck Water Works (PWW), Pittsfield Aqueduct Company (PAC) and Pennichuck East Utilities (PEU). Since the filing, the Commission determined that Nashua could seek to take assets of PWW but not assets of PAC and PEU. In November 2005, the NH Supreme Court affirmed Nashua's right to proceed with a taking of PWW's assets. **Nashua and Pennichuck have filed updates to previously-filed testimony. On November 22 the Commission issued a letter setting forth the procedural schedule for pre-hearing activities and up to 10 days of hearings in January and February. There will be a view of the Pennichuck facilities**

in Nashua on December 6, 2006.

3. DW 06-073 Pennichuck Water Works Rate Case

On May 12, 2006, Pennichuck filed a notice of intent to increase rates. Pennichuck seeks a total increase of 36.49% over its annual operating revenues for the test year ending December 31, 2005 (a permanent rate increase of 15.91% and a further step adjustment of 20.50%). The Commission approved the approximate 14% temporary rate increase stipulated by the OCA, Staff and PWW. **The docket is now in the permanent rate phase with ongoing discovery.**

4. DW 06-094 Acquisition of Aquarion Water Company by Macquarie Utilities

On June 22, 2006, Aquarion Water Company of New Hampshire (Aquarion) and Macquarie Utilities, Inc. (Macquarie) jointly filed a verified petition for approval of the indirect acquisition of Aquarion by Macquarie. The OCA did not object to the acquisition of Aquarion-NH by Macquarie but asked the Commission to incorporate in its order Macquarie's commitments to a process and the input of stakeholders concerning as well as the Commission's authority over the closure of the local customer service center or the termination of the consumer advisory council. The OCA also asked the Commission to recognize in its order that its approval of the acquisition is based upon an understanding that the regulatory asset/liability requested by Aquarion will not impact future ratemaking, as Aquarion testified at the hearing. **On October 31, 2006, the Commission approved the acquisition with the conditions requested by the OCA.**

5. DW 06-099 Hanover Water Works Rate Case

In September, Hanover Water Works filed petitions for a temporary rate increase of 8.54% or \$119,377 and a permanent rate increase of 13.04% or \$182,634, effective October 1, 2006. The Company is also expected to file a request for a step adjustment for a new water filtration and treatment system and a new water storage tank (see Order No. 24,393 in Docket DW 04-117), which, if approved, will result in an additional 50% increase in rates. In testimony filed on November 17, 2006, **Staff recommended a temporary rate increase of 5.25%. A settlement conference (for temporary rates) took place on November 27.**

6. Maine PUC 2006-590 Fryeburg Water Company Rate Case

In August 2006, the Maine Commission opened this docket to investigate the FWC's rates in light of over-earnings that had occurred during 2004 and 2005. FWC seeks to maintain current rates and rate structure. **On November 17, the OCA filed a petition for limited intervention in this proceeding.**

D) Gas

1. DG 06-033 Northern Utilities, Inc. Capacity Reserve Cost Recovery

In a previous docket, DG 05-08, the Commission authorized Northern to retain system-wide reserve capacity equal to 30% of the Company's unassigned capacity transportation load requirements. In this docket, the Commission will determine how the cost related to that capacity reserve should be recovered. OCA and Staff maintain that the costs should be recovered only from grandfathered customers (i.e., transportation customers who are not assigned capacity costs). Northern seeks to spread the cost to all customers equally. The Commission approved an agreement between the Parties and Staff, which establishes

an Interim Capacity Reserve Charge (@ \$0.0553 per decatherm) to be charged to capacity-exempt customers until the broader issues associated with the reserve are resolved in DG 06-098.

2. DG 06-098 Northern Utilities, Inc. Long Range Integrated Resource Plan

In June 2006, Northern filed its Long Range Integrated Resource Plan for the period 2006 through 2012. The IRP provides details of Northern's resource planning process and strategies based on its current forecasts of requirements and present market conditions. The filing of the IRP satisfies one of the terms contained within the Stipulation and Settlement approved by the Commission in DG 05-080, Order No. 24,627. Because Northern operates a unified system for customers in New Hampshire and Maine, Northern's IRP is also being reviewed by the Maine Public Utilities Commission. Technical sessions in the two state proceedings are being conducted jointly. In September, the Parties and Staff met in a joint technical session, which led to the settlement on the CRC, discussed above. A procedural schedule needs to be developed for the remainder of this proceeding.

3. DG 06-105 Energy North Natural Gas, Inc. d/b/a Keyspan Energy Delivery New England (Keyspan) Long-Range Integrated Resource Plan

Keyspan filed a revised filing of its Integrated Resource Plan in August 2006. **Discovery continues, with a hearing scheduled for February 15th.**

4. DG 06-107 Acquisition of Energy North Natural Gas, Inc. d/b/a Keyspan Energy New England by National Grid, plc

In August 2006, Keyspan and National Grid filed a joint petition for approval of a merger transaction that would result in Keyspan becoming a wholly-owned, indirect subsidiary of National Grid. **Discovery continues, and a technical session is scheduled for December 14th.**

5. DG 06-121 Energy North Natural Gas, Inc. d/b/a Keyspan Energy Delivery New England Cost of Gas (CGA) – Winter 2006-2007

In September 2006, Keyspan filed for a residential rate of \$1.2664 per therm and revised surcharges, totaling an approximate 8% increase over last winter.. At a hearing on October 17, the OCA objected to an update of Keyspan's indirect gas costs in this CGA proceeding on the basis that to do so constituted single-issue ratemaking. The OCA also opposed recovery in this proceeding of environmental remediation costs for a Gilford waste site without further investigation. On October 27, 2006, the Commission issued Order No. 24,688 setting the rate at \$1.1513 per therm, approving recovery of prudently incurred environmental remediation costs including the Gilford site, and deferred ruling on interest issues, bad debt costs, and single issue ratemaking. **The Staff has issued data requests on the interest and bad debt issue, and the OCA has issued data requests related to single-issue ratemaking.**

6. DG 06-129 Northern Utilities, Inc. Cost of Gas (CGA) – Winter 2006-2007

On September 15, 2006, Northern filed for a residential rate of \$1.37 per therm, which is a 10% increase over the average rate for last winter. On October 27, 2006, the Commission issued Order No. 24,684 setting the rate at \$1.2984/therm. **Staff has issued data requests concerning a possible double collection of interest.**

7. DG 06-154 Energy North Natural Gas, Inc. d/b/a/ Keyspan – Investigation into Thermal Billing Practices

On November 14, 2006, the Commission opened this docket to investigate the thermal billing practices of Energy North. In May 2001, Energy North switched its methodology for measuring heat content of its natural gas from a “wet” method to a “dry” method without making an offsetting adjustment and without Commission approval. The switch improperly increased the number of therms billed to customers and thus the base rate charges paid by customers. **The OCA has filed a participation letter, and a prehearing conference is scheduled for December 28.**